

Construction Company Owner Sentenced for Fraud in Securing Millions of Dollars in Contracts Intended for Service-Disabled Veteran-Owned Small Businesses - GSA Office of Inspector General

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The owner of several companies in the construction industry was sentenced to 27 months in prison and ordered to pay a \$1.75 million fine for his role in a long-running scheme to defraud the United States.

Following a six-day trial in the U.S. District Court for the Western District of Texas in June 2022, a jury convicted Michael Angelo Padron of conspiracy to defraud the United States and wire fraud for his role in obtaining valuable government contracts under programs administered by the Small Business Administration (SBA). The evidence showed that Padron conspired with others to install a service-disabled veteran as the ostensible owner of a general construction company held out as a Service-Disabled Veteran-Owned Small Business (SDVOSB). Padron, along with his business partners, exercised disqualifying financial and operational control over the construction company. According to court documents, the conspirators concealed that control in order to secure over \$240 million in government contracts that were set aside for SDVOSBs and other small businesses in order to benefit their larger, nonqualifying businesses.

"The sentence reflects the seriousness of the offense and the long-running nature of the scheme," said Acting Deputy Assistant Attorney General for Criminal Enforcement Marvin Price of the Justice Department's Antitrust Division. "The Antitrust Division and its Procurement Collusion Strike Force remain committed to holding executives accountable when they choose to defraud federal procurement programs."

"Conspiring to fraudulently use SBA program funds intended for service-disabled veteran's is reprehensible," said Special Agent in Charge Sharon Johnson of the Small Business Administration Office of Inspector General (SBA-OIG), Central Region. "This sentence demonstrates that those that defraud the nation's vital economic programs will be held accountable. I want to thank the Antitrust Division and our law enforcement partners for their dedication and pursuit of justice."

"Today's sentencing should serve as a stark reminder that our agents, and those of our partner law enforcement agencies, are relentless in our pursuit of those who choose to defraud the government," said Special Agent in Charge L. Scott Moreland of the Department of the Army Criminal Investigation Division's (CID) Major Procurement Fraud Field Office. "We have a very robust group of highly-trained special agents and analysts who are masters at combating and uncovering fraud, deception, and other criminal acts associated with government contracting and purchasing."

"A level playing field is vital to the procurement process," said Special Agent in Charge Jamie Willemin of the General Services Administration Office of Inspector General (GSA-OIG) Southwest and Rocky Mountain Division. "Today's sentencing signifies GSA-OIG's commitment to aggressively investigate fraudulent business practices that cheat legitimate small businesses and the taxpayer."

"The VA-OIG is committed to identifying and stopping those individuals who misappropriate an opportunity meant solely for our nation's veterans with disabilities," said Acting Special Agent in Charge Patrick Roche of

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Office of Inspector General Department of Veterans Affairs Office of Inspector General's (VA-OIG) South Central Field Office. "The VA-OIG thanks the Department of Justice and our law enforcement partners for their joint efforts to achieve justice in this case."

The Antitrust Division's Washington Criminal II Section prosecuted the case, which was investigated by SBA-OIG, U.S. Army CID Major Procurement Fraud Unit, VA-OIG, DCIS, and GSA-OIG. The U.S. Attorney's Office for the Western District of Texas and the Army Audit Agency also assisted with the investigation.

Anyone with information in connection with this investigation is urged to call the Antitrust Division's Washington Criminal II Section at 202-598-4000, or visit <https://www.justice.gov/atr/contact/newcase.html>.

In November 2019, the Department of Justice created the Procurement Collusion Strike Force (PCSF), a joint law enforcement effort to combat antitrust crimes and related fraudulent schemes that impact government procurement, grant, and program funding at all levels of government – federal, state and local. To learn more about the PCSF, or to report information on market allocation, price fixing, bid rigging and other anticompetitive conduct related to defense-related spending, go to <https://www.justice.gov/procurement-collusion-strike-force>.

Source: U.S. Department of Justice [press release](#)